

being taken or summarized from source records by the taxpayer and retained as prescribed in § 296.199. The record of inventory shall show the quantities of large and small cigarettes held for sale by the taxpayer at the first moment of January 1, 1991, and the first moment of January 1, 1993. Quantities in transit shall be recorded separately from quantities actually on hand. Unmerchantable articles held for return to a supplier because of some defect are not subject to floor stocks tax, so such articles must be recorded separately from taxable items on the inventory report. (Products which are being returned because of poor market demand or to reduce inventory are not considered unmerchantable.) The record of inventory shall show the taxpayer's name and the address of the place of business where the cigarettes are held. The record of inventory shall include complete and accurate information showing the details of the inventory, when and by whom the inventory was taken. If the inventory was verified by anyone other than the person taking it, the name and title of that other person shall also be shown.

(d) *Time of taking inventory.* The physical inventory to determine the amount of cigarettes held on the respective tax-increase dates of January 1, 1991, and January 1, 1993, may be taken no later than January 10 immediately following the respective tax-increase date and no earlier than December 26 of the preceding year. If the physical inventory is not taken between the close of business on the last respective business day of 1990 and 1992 and the beginning of business on the first respective business day of 1991 and 1993, the records of inventory shall be reconciled to reflect the actual quantity of cigarettes held as of the first moment of January 1, 1991, and January 1, 1993, respectively; and shall include complete supporting records of receipt and disposition.

(68A Stat. 731, as amended (26 U.S.C. 6001))

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§ 296.199 Retention of records.

Every person liable for floor stocks tax shall keep the copy of the floor stocks tax return at the place of busi-

ness covered thereby, or, in the case of a consolidated return, at the principal place of business. The record of physical inventory shall be kept at the place of business to which the inventory pertains. In the case of a consolidated return, a copy of the record of inventory shall also be kept at the taxpayer's principal place of business. Such documents and records shall be retained for at least 3 years after the date of filing of the floor stocks tax return, and shall be available for inspection by ATF officers. The regional director (compliance) may also require these documents and records to be retained for an additional period of not more than 3 years in any case where the regional director (compliance) deems such retention to be necessary or advisable for the protection of the revenue.

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§ 296.200 Refund of floor stocks tax.

A claim for refund may be filed by any person who has paid a floor stocks tax on cigarettes and who claims that such person made an overpayment of that tax. Such a claim shall be filed on ATF Form 2635 (5620.8), contain the information required by the form, and be supported by a statement of the facts and evidence upon which the claim is based. The claim shall be filed with the regional director (compliance), Bureau of Alcohol, Tobacco and Firearms, for the region in which the inventory was held and on which the tax was paid. Claims filed under this section shall comply with the provisions of subpart A of this part.

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§ 296.201 Penalties and interest.

(a) *Penalties.* All civil and criminal penalties and forfeiture provisions of the Internal Revenue Code (title 26 U.S.C.), which are applicable to excise taxes on cigarettes, are applicable also to floor stocks tax.

(b) *Interest.* Interest shall accrue at the underpayment rate established by 26 U.S.C. 6621, compounded daily, on all floor stocks tax that is not paid on or before June 30, 1991, and/or June 30, 1993. Interest shall accrue from June